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JUN 08 2011

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF CALIFORNIA

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7 UNITED STATES BANKRUPTCY COURT
8 EASTERN DISTRICT OF CALIFORNIA

9 In re Case No. 05-10001-A-7
10 DDJ, INC. DC Nos. CF-1; CF-3; JF-10

11 Debtor.

12 In re Case No. 05-10002-A-7 ✓
13 DDJ, LLC DC Nos. CF-2; CF-3; JF-10

14 Debtor.

15 FINDINGS OF FACT AND CONCLUSIONS OF LAW

16 Various matters are under submission in the chapter 7 cases
17 of DDJ, Inc. (05-10001-A-7) and DDJ, LLC (05-10002-A-7). They
18 are:
19

20

- 21 • Motion to Vacate Court Order Dated September 5, 2007
22 approving Settlement Agreement (DC No. CF-2 in the DDJ, LLC
23 case).
- 24 • Motion to Remove James E. Salven as Chapter 7 Trustee (DC
25 No. CF-1 in the DDJ, Inc. case).
- 26 • Motion to Reconsider Order Granting Sale of Property (DC No.
27 CF-3 in both cases).
- 28 • Motion for Sanctions (DC No. JF-10 in both cases).

1 The motions with Docket Control Numbers "CF" were brought by
2 Connie Flores, and the motions with Docket Control Numbers "JF"
3 were brought by her husband, Joe Flores. All the motions are the
4 latest in skirmishes between Mr. and Mrs. Flores and the chapter
5 7 trustee. Both cases were filed in 2005. In 2007, Mr. and Mrs.
6 Flores and the chapter 7 trustee entered into a settlement of the
7 issues between them. However, Mr. and Mrs. Flores now challenge
8 that settlement and seek to vacate it. They seek to remove Mr.
9 Salven as trustee of the DDJ, Inc. case, and they ask the court
10 to reconsider an order approving the sale of the trustee's
11 litigation claims. Additionally, they seek sanctions.

12 The court will, herein, enter its findings of fact and
13 conclusions of law on the motions described above, which were
14 taken under submission. This memorandum contains findings of
15 fact and conclusions of law required by Federal Rule of
16 Bankruptcy Procedure 7052 and Federal Rule of Civil Procedure 52.
17 This is a core proceeding as defined in 28 U.S.C. §157(b)(2)(A).

18 The court will first describe the background relevant to
19 each matter.

20 In 1999, Joe Flores sued DDJ, Inc. and DDJ, LLC in the
21 United States District Court for the Eastern District of
22 California. That case became known as "Flores I."

23 Dennis Hagopian was an officer and director of DDJ, Inc.,
24 and Victoria Hagopian was a nominal director of DDJ, LLC for a
25 time. In the course of the Flores I litigation, Mr. Flores
26 attempted to add Dennis Hagopian as a defendant.

27 Eventually, judgment was entered against the debtor
28 corporations, but not against any individual defendant, in 2004.

1 Mr. Flores then began to try to collect on the judgment. The
2 corporations did not have the money to pay.

3 Mr. Flores then filed suit against the Hagobians in 2004 in
4 the district court. That lawsuit became known as "Flores II."

5 He then filed another action in 2005 against Emerick and
6 Fike, et al., and that became known as "Flores III."

7 The debtors filed their petitions for bankruptcy in January
8 2005.

9 Flores I, II, and III were stayed until the trustees for
10 each of the debtors could settle their disputes with Mr. and Mrs.
11 Flores over who owned the Flores I alter ego claims and the
12 Flores II fraudulent transfer claims.

13 The trustees and the Floreses entered into a settlement.
14 That settlement provided that the trustees would join the Flores
15 I and Flores II matters and abandon Flores III to Mr. and Mrs.
16 Flores. Since the stay was lifted, all three matters have been
17 dismissed and final judgments entered.

18 Mr. Flores then filed a related action in bankruptcy court
19 against the debtors, their trustees, and the Hagobians, among
20 others, alleging that the Floreses should stand as a priority
21 creditor on the basis of asserted PACA violations. That action
22 was brought in the Enoch Packing Company bankruptcy case. That
23 adversary proceeding became known as "Flores IV."

24 This court dismissed Flores IV on the basis that no PACA
25 trust had been preserved. That ruling was affirmed by the
26 district court and also affirmed by the Ninth Circuit.

27 In 2008, Mr. Flores filed an action in Fresno County
28 Superior Court reiterating and adding to the claims set forth in

1 Flores II. Then there was a dispute in that action about whether
2 Mr. Flores was a vexatious litigant.

3 In 2009, Mr. Flores filed a second action in Fresno County
4 Superior Court repeating, to a greater or lesser extent, the
5 claims that had been made in the Flores I action.

6 In short, there has been a great deal of litigation by Mr.
7 and Mrs. Flores against the debtors and others.

8

9 DDJ, LLC (DC No. CF-2) Motion to Vacate Court Order Approving
Settlement Agreement.

10

11 A hearing on this motion was held March 9, 2011, and the
12 court took it under submission at that time. In 2007, a
13 Settlement Agreement was entered into between and among Mr. and
14 Mrs. Flores, Mr. Salven as chapter 7 trustee for DDJ, Inc., and
15 Beth Stratton (then chapter 7 trustee for DDJ, LLC). The court
16 had referred the dispute among the parties to the Honorable
17 Michael S. McManus, Bankruptcy Judge for the Eastern District of
18 California, as settlement judge. Following meetings with Judge
19 McManus, the parties entered into a Settlement Agreement, which
20 Judge McManus caused to be put on the record on December 29,
21 2006. Subsequent to that time, a dispute arose about the
22 Settlement Agreement, and the parties revised it in a handwritten
23 document. The parties then asked the court to approve it as the
24 September 5, 2007 Settlement Agreement, which incorporated both
25 the agreement reached with the assistance of Judge McManus and
26 the handwritten document. It is the order approving this
27 settlement which by this motion Mr. and Mrs. Flores seek to
28 vacate.

1 The motion is brought under Federal Rule of Bankruptcy
2 Procedure 9024, which incorporates Federal Rule of Civil
3 Procedure 60. Under Rule 60(b), a court may relieve a party from
4 a final judgment or order if, among other reasons, the judgment
5 is void (Rule 60(b)(4)); or for any other reason that justifies
6 relief (Rule 60(b)(6)). The Florees proceed on these grounds.

7 Relief under Rule 60(b) is an extraordinary remedy and is
8 not a substitute for direct appeal of a judgment. When an error
9 of law is alleged, the proper vehicle for an attack on that error
10 is a direct appeal. In re Design Classics, Inc., 788 F.2d 1384
11 (8th Cir. 1986). A motion under Rule 60(b) must be made within a
12 reasonable time.

13 Here, the order approving the Settlement Agreement was
14 entered September 5, 2007. A hearing on the motion to vacate was
15 held in March 2011.

16 The motion is based on the grounds that the ruling in Baum
17 v. Duckor, Spradling & Metzger, 72 Cal. App. 4th 54 (1999) holds
18 that professional malpractice and breach of fiduciary duty claims
19 may not be assigned or sold by a bankruptcy trustee under
20 California law and public policy. According to Flores, the
21 September 5, 2007 Settlement Agreement is illegal because under
22 it, the claims of the chapter 7 trustee in DDJ, LLC were assigned
23 to DDJ, Inc. The alleged assigned claims were for breach of
24 duty, professional negligence, and malpractice against the
25 "Georgeson Defendants."

26 According to Mr. and Mrs. Flores, the "void" assignment of
27 malpractice claims makes the entire settlement invalid.

28 The language that the Florees find troubling is in the

1 transcript from the December 29, 2006, portion of the Settlement
2 Agreement. In that document, Judge McManus stated:

3 "The LLC case, DDJ, LLC, will assign - - will either assign
4 its claims as presented in the District Court Flores I and
5 II matters to DDJ, Inc., or, if assignment is - - doesn't
6 work to the best advantage of the parties - - the two - -
the two bankruptcy estates, it will remain in the name of
DDJ, LLC, but DDJ, Inc. and its trustee will control the
disposition of those assets."

7 Judge McManus then went on to state "The LLC - - LLC's
8 rights are being either assigned to the Inc. case or it' LLC
9 controlled by the Inc. case."

10 And further, the transcript reads:

11 MR. ARMSTRONG [counsel for Mr. Salven]: Any rights of the
12 LLC will be assigned to the Inc. case. Whatever rights the
LLC may - -

13 MS. STRATTON [former trustee for DDJ, LLC]: All LLC's claims
- -

14 THE COURT: All LLC claims.

15 MS. STRATTON: - - causes of action.

16 THE COURT: Everything.

17 MS. STRATTON: It will be assigned to Inc.

18 THE COURT: Right. That's taken care of in that general
19 provision.

20 At the time the parties entered into the Settlement
21 Agreement, they were concerned with claims that were then pending
22 in two District Court actions known as Flores I and Flores II and
23 also in an action in State Court. Only the action in State Court
24 remains pending. The District Court actions have been decided
25 adversely to the bankruptcy estates and to Flores.

26 The motion to vacate the court ordered Settlement Agreement
27 will be denied by separate order. First, the motion was brought
28 more than three years after an order approving the Settlement

1 Agreement was entered. In the intervening time, all parties have
2 relied on the Settlement Agreement.

3 Second, there is no requirement in the Settlement Agreement
4 that any non-assignable claims be assigned from the LLC to the
5 Inc. case. Rather, the agreement provides that if it is
6 appropriate to assign the claims, they will be assigned, and if
7 it is not appropriate, they will be jointly prosecuted. The
8 declaration of James Salven in support of his opposition to the
9 motion to vacate the Settlement Agreement states that he jointly
10 prosecuted the claims of the respective bankruptcy estates.

11 There was no assignment.

12 There are no extraordinary circumstances existing to justify
13 relief under Rule 60(b)(6). Rather, the outcome of the
14 Settlement Agreement was not what the parties hoped. That is not
15 a reason to set aside the Settlement Agreement.

16 For the above reasons, the motion to vacate the Settlement
17 Agreement will be denied.

18

19 DDJ, Inc. (DC No. CF-1) Motion to Remove James E. Salven as
Chapter 7 Trustee of DDJ, Inc.

20 On January 10, 2011, Connie Flores filed a motion to remove
21 James E. Salven as trustee for DDJ, Inc. A hearing on that
22 motion was held March 9, 2011, after which time the court took
23 the matter under submission. The motion states that Salven has
24 violated Bankruptcy Code § 704(a)(1), (2), (4), and (6). The
25 motion also refers to Bankruptcy Code § 324(a). Section 324(a)
26 provides that the court may remove a trustee for cause. Section
27 704(a) describes the duties of a chapter 7 trustee. According to
28 Flores, Salven has been incompetent in the actual performance of

1 his duties; has failed to investigate the financial affairs of
2 the debtor; has failed to take appropriate litigation steps; has
3 misappropriated assets from the estate by conspiring with
4 adversaries; has breached his contracts; has breached fiduciary
5 duties; and has disobeyed the court's September 5, 2007 Order
6 Approving Settlement Agreement. She further asserts personal
7 misconduct and abuse of process.

8 Salven filed a declaration denying each of the allegations
9 in the motion. The underlying factual history that gave rise to
10 the dispute is not in controversy. It is, rather, the
11 interpretation of those facts about which the parties disagree.

12 In the early part of the DDJ, Inc. case and the related case
13 of DDJ, LLC, Joe Flores, the spouse of Connie Flores, filed
14 numerous motions seeking to pursue various claims in the District
15 Court. Those claims are generally known as the Flores I and
16 Flores II cases. Eventually, Flores sought to remove Salven as
17 trustee by a motion filed in August 2006. The court referred the
18 matters pending among the trustees of the two chapter 7 cases and
19 Mr. and Mrs. Flores to a settlement judge, and the Honorable
20 Michael S. McManus, Bankruptcy Judge for the Eastern District of
21 California, held a settlement conference in the two cases. As a
22 result of the settlement conference, the parties entered into a
23 Settlement Agreement. After that agreement was modified, the
24 court approved a settlement among the parties by an order dated
25 September 5, 2007. That Settlement Agreement contemplated that
26 Salven would prosecute claims of DDJ, Inc. and DDJ, LLC, to
27 conclusion.

28 As approved, the Settlement Agreement provided that Joe

1 Flores and Connie Flores would continue to be parties plaintiff
2 in Flores I and Flores II and would jointly prosecute those cases
3 with Salven to their conclusion. Those cases, District Court
4 cases, have now been concluded in rulings adverse to the estates
5 and to Mr. and Mrs. Flores.

6 The Settlement Agreement also provided that a case known as
7 "Flores III, District Court No. CIV-05-0291" was preserved solely
8 for the benefit of Joe and Connie Flores.

9 Also as a result of the Settlement Agreement, Mr. and Mrs.
10 Flores withdrew their motions to remove Mr. Salven as trustee of
11 the DDJ, Inc. case and Ms. Stratton as trustee of the DDJ, LLC
12 case.

13 There is also a state court action ("State Court Action").
14 That action was to be prosecuted jointly by Salven and by Flores.
15 Ultimately, Salven decided to dismiss certain claims in the State
16 Court Action which constituted professional malpractice claims
17 against the Georgeson law firm. Regarding this claim, Salven
18 states:

19 "After meeting with Mr. Georgeson, his attorney, Justin
20 Campagne, Esq., and Mr. Armstrong on November 23, 2010,
21 listening to the facts as explained by Mr. Georgeson that
they would move into evidence, considering the scant
22 information provided by Mr. Nunez as special counsel to me
regarding the State Court Action, I directed Mr. Armstrong
23 to send a letter to Mr. Nunez to immediately dismiss the
Georgeson & Belardinelli defendants and their principals
from the State Court Action with prejudice."

24 Prior to November 2010, Mr. Salven also learned that he had
25 been sanctioned in the State Court Action, in which, pursuant the
26 September 5, 2007 Settlement Agreement, he was represented by
27 Henry Nunez. According to Mr. Salven,

28

1 "On November 23, 2010, I personally spoke telephonically
2 with Mr. Nunez, who admitted that the sanctions were issued,
3 and further, that he personally paid the sanctions without
4 ever advising me of the same."

5 According to Mr. Salven, Mr. Nunez never apprised him of
6 outstanding discovery and only advised Salven of the monetary
7 sanctions when Salven telephoned him about them.

8 Salven made reasonable litigation decisions in connection
9 with the State Court Action. His actions with respect to the
10 State Court Action did not amount to breach of fiduciary duty or
11 failure to pursue preferential transfers or fraudulent
12 conveyances. Rather, they were appropriate litigation judgment.

13 Further, Salven offered to sell the claims of the estate in
14 the State Court Action to Mr. and Mrs. Flores. However, an
15 overbid was received from certain defendants for the State Court
16 Actions known as the "Hagopian Defendants" and others.
17 Ultimately, the court approved that overbid.

18 Salven made a reasonable business decision to sell the
19 claims, and that decision has been approved by this court.

20 The proper test for removal of a bankruptcy trustee is
21 totality of the circumstances. In the matter of AFI Holding,
22 Inc., 530 F.3d 832, 848-849 (2008). The party seeking to remove
23 a chapter 7 trustee has the burden of proof.

24 Based on all the facts and circumstances of the DDJ, Inc.
25 chapter 7 case, the court finds and concludes that Mrs. Flores
26 has failed to meet her burden of proof. Salven entered into a
27 Settlement Agreement with Mr. and Mrs. Flores, which was approved
28 by this court. Subsequently, he made a business decision to sell
certain claims to the Hagopian Defendants and others. That sale

1 was approved by this court.

2 Additionally, there is no reason for an evidentiary hearing.
3 There is little, if any, dispute about the facts. Rather, the
4 dispute is about whether based on those facts, there has been a
5 breach of the duty that the chapter 7 trustee owes to the
6 creditors and to the estate. The court has concluded that there
7 was no such breach.

8 For the above reasons, the motion to remove Mr. Salven will
9 be denied by separate order.

10
11 Motion to Reconsider Court Order Approving Sale of Property in
12 both DDJ, Inc. and DDJ, LLC (DC Nos. CF-3 in each case).

13 On April 26, 2011, Connie Flores filed a motion asking the
14 court to reconsider its order approving sale of the litigation
15 claims. Joe Flores joined in that motion. The claims of which
16 the court approved a sale were claims in a state court lawsuit
17 captioned In re James E. Salven, et al. v. Dennis Hagopian, et
18 al., State Court Case No. 08-CE-CG-03585 filed in the Fresno
19 County Superior Court.

20 A hearing on the motion to approve the sale of the claims
21 had been held December 16, 2010. The court took the matter under
22 submission and put its Findings of Fact and Conclusions of Law on
23 the motion to approve the sale on the record on March 9, 2011.
24 An order was entered on April 11, 2011. The motion for
25 reconsideration was filed April 26, 2011, under Federal Rule of
26 Bankruptcy Procedure 9023; Federal Rule of Civil Procedure
27 52(a) (5); and Federal Rule of Civil Procedure 60(b) (3), (4), (6),
28 and (d) (3).

1 The order granting sale of litigation claims states:

2 "1. The Motion for Sale of Litigation Claims Pursuant to 11
3 U.S.C. § 363(b) filed by James E. Salven, as Chapter 7
4 Trustee for the Estate of Ddj, Inc., Case No. 05-10001, and
5 pursuant to the December 29, 2006 Settlement Agreement
6 previously approved by this Court, as the representative of
7 the bankruptcy estate of DDJ, LLC, Case No. 05-10002, is
8 granted;

9 2. The bankruptcy estates of DDJ, Inc. and DDJ, LLC are
10 authorized to sell the litigation claims to the Hagopian
11 Defendants, the Davidson and Hedberg Defendants, and the
12 Yeramian/Vartan Defendants, as prayed for in the Motion and
13 in conformity with Mr. Salven's Further Declaration filed on
14 December 9, 2010 in support of the Motion for the total sum
15 of \$60,750.55 consisting of \$55,000.00 in cash to be
16 received from the Hagopian and Davidson/Hedberg Defendants,
17 and a waiver of costs incurred by the Yeramian/Vartan
18 Defendants in regards to costs incurred in appeal in
19 relation to the State Court action, commonly referred to as
20 Flores V, bearing Fresno County Superior Court case No. 08-
21 C-CG-035850DSB; and

22 3. A copy of this order may be filed or lodged in Fresno
23 County Superior Court case No. 08-CE-CG-03585-DSB."

24 The grounds for the motion now before the court are that the
25 documentary evidence in support of the motion for sale of
26 litigation claims was insufficient, particularly in light of the
27 evidence in opposition filed by Mr. and Mrs. Flores; that the
28 moving parties violated the court's deadline for overbids; that
29 Mr. Salven, Mr. Armstrong (his attorney), and Ralph Swanson
30 misrepresented the overbid situation; that the claims in the
31 litigation are personal and cannot be assigned or sold; and that
32 Mr. Salven's business judgment does not meet the appropriate
33 standards.

34 A motion for order approving sale of litigation claims
35 pursuant to Bankruptcy Code § 363(b) was filed by James Salven on
36 October 19, 2010. In that motion, Salven stated that he intended
37 to sell certain litigation claims to CBP4Justice, LLC. The

1 members of CBP4Justice, LLC, are Connie Flores and two sons of
2 Mr. and Mrs. Flores. The claims in question were the claims in
3 the State Court Action, and the proposed sale price was the first
4 \$150,000 collected on any judgment. Additionally, pursuant to
5 the proposed sale, Mr. and Mrs. Flores would withdraw any claims
6 against the estates, and the administrative expenses of Mr. Nunez
7 would be limited to \$5,000.

8 At the hearing, objections were lodged by the Hagopian
9 Defendants. They sought time to present a cash settlement offer
10 to the trustee. The court allowed the defendants, two entities
11 who opposed the motions, to present a cash settlement offer. The
12 court stated:

13 "So, I am going to set these two motions out for final
14 hearing, and the final hearing will be December 16th at 9:00
15 a.m. And any further opposition to either motion needs to
16 be filed and served by November 26th, and any - and that
further opposition could include a proposed offer that you'd
like to see the court accept. Any reply needs to be filed
and served by no later than December 9th."

17 At the November 2, 2010 hearing, the court additionally
18 stated that "If there's going to be an overbid by either of the
19 two objecting parties, it [shall] be in Mr. Armstrong's - - sent
20 to Mr. Armstrong for his receipt by November 22nd."

21 When Mr. Flores pointed out that he wouldn't know what the
22 over bidders would be bidding, the court said "Well, they can
23 serve it on Mr. Armstrong, and he can give you a copy."

24 The civil minute order following the hearing on November 2,
25 2010, stated:

26 "IT IS ORDERED that the Trustee's Motion for sale is
27 continued to 12/16/10 at 9:00 a.m. in Courtroom 11, Fifth
Floor, 2500 Tulare Street, Fresno, California.
28

1 IT IS FURTHER ORDERED that any further opposition shall be
2 filed and served by 11/26/10. Any reply shall be filed and
3 served by 12/9/10. Any overbids shall be presented to Mr.
4 Armstrong by 11/22/10."

5 On December 9, 2010, James Salven filed a declaration
6 stating that he had received a timely counter-offer from the
7 Hagopian Defendants, the Vartan Defendants, and the Davidson and
8 Hedberg Defendants, to purchase the claims in question. He
9 describes that their offer consisted of \$55,000 in each and an
agreement not to pursue additional costs in a lawsuit known as
Flores VI. The declaration goes on to state:

"Based upon the fact that Special Counsel has not yet
progressed beyond the pleading stage in the state court
actions, his failure to communicate with me and/or General
Counsel, the fact that the outcome in Flores I and Flores II
was not favorable for the estates, at this juncture it is my
considered business opinion that the offer to sell the
claims for \$55,000.00 cash now, plus waiver of costs by the
Vartan Defendants, to the Hagopian, Davidson and Hedberg,
and Vartan Defendants is in the best interest of the estates
as it provides cash now, closure, and is not speculative as
is the CBP4Justice, LLC offer. I would ask the Court to
consider my business opinion and to rule on which presents a
better scenario for the bankruptcy estates, taking money now
or risk litigation in perpetuity and futility with the risk
of the estates, its special counsel, and creditors being
borne with administrative expense claims that would render
these estates administratively insolvent. I respectfully
request that the Court consider this and approve the sale to
the Hagopian Defendants, the Davidson and Hedberg Defendants
and the Vartan Defendants which I believe presents the best
offer to the bankruptcy estate."

On December 14, 2010, Joe and Connie Flores filed objections
to this declaration by James Salven. Also on that date, Mr.
Flores filed a Reply Memorandum in opposition to the proposed
sale to the three groups of defendants and in support of the sale
of the litigation claims to CBP4Justice, LLC. On December 16th,
a hearing was held, and each party presented argument.

On March 9, 2011, the court put on the record its Findings

1 of Fact and Conclusions of Law with respect to the motions in
2 each case for order approving sale of the litigation asset. At
3 that time, the court found and concluded that sale to the
4 Hagopian/Vartan and Davidson and Hedberg Defendants was in the
5 best interest of the estate and that Mr. Salven had exercised
6 reasonable business judgment in recommending that resolution.

7 Moving party has failed to come up with any newly discovered
8 evidence not available at the time of the original hearing and
9 has failed to point to evidence that establishes a manifest error
10 of law or fact. Mr. and Mrs. Flores had ample time to make a
11 higher bid.

12 For the above reasons, the motion to reconsider the order
13 granting sale is denied. Additionally, the court finds, based on
14 the entirety of the record, that the trustee and the buyers have
15 proceeded in good faith. The purchasers have been involved in
16 litigation in various fora for numerous years with Mr. and Mrs.
17 Flores. Attempting to resolve that litigation by purchasing the
18 claims from the trustee is, in the court's view, in good faith
19 under Bankruptcy Code § 363(m).

20

21

22 Motions for Sanctions in each case.

23 Joe Flores has filed motions for sanctions in each case
24 under DC No. JF-10. Connie Flores has joined in the motions for
25 sanctions. The motions for sanctions were filed in February
26 2011. The motions for sanctions contend that Salven and
27 Armstrong "have both made misrepresentations to this Court (which
28 amounts to falsity and fraud on this Court) in order to gain an

1 upper hand and favorable ruling from this Court in what Salven
2 and Armstrong coined as a business decision to sell claims."

3 The statements made by Salven and Armstrong, of which Flores
4 complains, are simply statements with which Mr. Flores disagrees.
5 They are not statements that are sanctionable under Federal Rule
6 of Bankruptcy Procedure 9011.

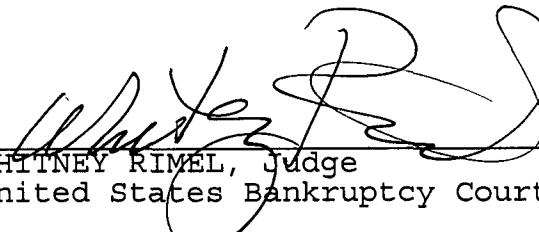
7 The court is denying the motion to reconsider sale of the
8 litigation claims; to remove the trustee; and to reconsider the
9 September 2007 Settlement Agreement. All of the issues that
10 Flores raises in the motion for sanctions are issues that are
11 addressed in the other motions before the court. The fact that
12 Mr. and Mrs. Flores disagree with Mr. Salven's and Mr.
13 Armstrong's interpretation of events does not mean that Mr.
14 Salven's or Mr. Armstrong's statements were misrepresentations.
15 The declarations of Mr. Salven and Mr. Armstrong filed in
16 opposition to the motions for sanctions make it clear that both
17 Mr. Armstrong and Mr. Salven were proceeding in good faith. The
18 fact that reasonable people may differ does not mean that
19 sanctions are appropriate.

20 For the foregoing reasons, the motions for sanctions will be
21 denied.

22

23

24 DATED: 6/8/11


25 WHITNEY RIMEL, Judge
26 United States Bankruptcy Court
27
28